

Message Text

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ACTION STR-04

INFO OCT-01 OIC-02 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-07
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15
ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEA-00 OMB-01
AF-08 ARA-06 EA-07 EUR-12 NEA-10 /132 W
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PR 021425Z MAR 77
FM USDEL MTN GENEVA
TO SECSTATE WASHDC PRIORITY 2283
INFO USMISSION EC BRUSSELS
USMISSION OECD PARIS
AMEMBASSY OTTAWA

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ACTION STR

H PASS CODEL

EO 11652: NA
TAGS: ETRD, MTN
SUBJ: MTN SUBSIDIES/CVD SUBGROUP MEETING, FEB 28, 1977

1. SUMMARY: BRIEF MEETING OF SUBGROUP FOCUSED ON CANADIAN
DRAFT CODE ON SUBSIDIES:COUNTERVAILING MEASURES
(CVM). SEVERAL DELS EXPRESSED APPRECIATION FOR A FINE
CANADIAN EFFORT BUT RAISED NUMBER OF TECHNICAL AND POLICY
PROBLEMS REGARDING MANY OF ITS OPERATIVE PROVISIONS AND ITS BASIC
APPROACH. THE EC (MEYNELL) EXPRESSED DOUBTS ABOUT CANA-
DIAN APPROACH BUT DID NOT RAISE AGRICULTURAL ISSUE. DEVELOP-
ING COUNTRIES PREDICTABLY DISSATISFIED WITH PROVISIONS
FOR SPECIAL AND DIFFERENTIAL TREATMENT AND REITERATED
THEIR PAST POSITIONS ON THIS ISSUE. SUBGROUP AGREED ON
NEED FOR BILATERAL AND PLURILATERAL CONTACTS TO DISCUSS
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FURTHER THE CANDIAN INITIATIVE. NEXT MEETING SCHEDULED
FOR MAY. END SUMMARY.

2. IN INTRODUCING HIS INITIATIVE ON SUBSIDIES AND CVM'S
(MTN/NTM/W/80), CANADIA'S AMB GREY EMPHASIZED THAT
THE DRAFT IS NOT A CANADIAN PROPOSAL BUT CONTAINS IDEAS
OF MANY DELEGATIONS AND SHOULD BE REGARDED AS AN "AGENDA"

TO BE USED AS A POINT OF DEPARTURE FOR NEGOTIATIONS. GREY OFFERED TO HOLD BILATERAL/PLURILATERAL MEETINGS TO CLARIFY THE TECHNICAL ASPECTS OF THE DRAFT. AFTER THESE SESSIONS, CANADA WOULD TREAT THE DRAFT JUST LIKE OTHER DELEGATIONS AND MIGHT WANT TO SPONSOR PROPOSALS TO ALTER THE DRAFT SUBSTANTIALLY. US (CULBERT) EXPRESSED WILLINGNESS TO DISCUSS DRAFT IN DETAIL AT BILATERAL OR MULTILATERAL SESSIONS, RAISED SOME TECHNICAL QUESTIONS ON THE DRAFT (FYI: COMPLETE LIST OF TECHNICAL QUESTIONS IN ATTACHMENT 1 OF TPSC 77-17 HAS BEEN GIVEN TO CANADIANS AND WILL BE DISCUSSED LATER THIS WEEK. END FYI), AND OUTLINED PROBLEM AREAS THAT THE US HAS WITH THE DRAFT AS CONTAINED IN ATTACHMENT 2 OF TPSC 77-17. JAPAN (UKAWA), WHILE TRYING NOT TO SOUND "TOO CRITICAL", PRESENTED ILLUSTRATIVE LIST OF "SERIOUS PROBLEMS" WITH CANADIAN DRAFT INCLUDING JOINT TREATMENT OF SUBSIDIES AND CVM'S, NO INJURY REQUIREMENT FOR INTRODUCTION OF CVM, AND POSSIBLE NEGATIVE CONSEQUENCES OF CVM'S OTHER THAN COUNTERVAILING DUTIES, ESPECIALLY IN THE CASE OF THIRD MARKET SUBSIDIES. THE EC, MEXICO, AUSTRALIA, AND ANDEAN GROUP AGREED WITH JAPAN ON THE NEED TO SEPARATE SUBSIDIES AND CVM ISSUES TO WHICH CANADA REPLIED THAT THIS WAS A QUESTION OF FORM RATHER THAN SUBSTANCE (I.E. TWO DOCUMENTS RATHER THAN ONE). THE EC WAS SKEPTICAL OF THE TIMING AND "UTOPIANISM" OF CANADIAN APPROACH, AND STATED THAT IT GOES BEYOND THE FRAMEWORK OF GATT ARTICLES VI AND XVI. COMMENT: IN PRIVATE CONVERSATION MEYNELL INFORED CULBERT THAT RESPONSIBILITY IN BURSSELS FOR THIS ISSUE STILL UNDECIDED. THUS, WITH NO NEW POLICY GUIDANCE, LIMITED OFFICIAL USE

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EC INTERNALLY DEBATED DESIRABILITY OF EVEN ATTENDING THE SUBGROUP MEETING. END COMMENT. WHILE NOTING THAT THE CANADIAN DRAFT IS "A" - BUT NOT "THE" - NEGOTIATING APPROACH, EC AND AUSTRIA MADE POINT THAT ALL OTHER CONTRIBUTIONS IN THIS AREA OUGHT TO REMAIN ON THE TABLE.

3. AUSTRALIA (AMB FOGARTY) CONSIDERED THE DRAFT A USEFUL CONTRIBUTION TO THE ADVANCEMENT OF WORK. HE STATED THAT INSTEAD OF AGREEMENT ON LEVELS OF GOVERNMENT INVOLVEMENT IN THE PROVISIONS ON "OTHER SUBSIDIES" THE CODE SHOULD FOCUS ON THE IMPACT OF THAT INVOLVEMENT ON TRADE. FORGARTY WAS CRITICAL THAT THE PROPOSED RULES ON IMPORT SUBSTITUTION SUBSIDIES GO FAR BEYOND PRESENT GATT RULES, AND SUGGESTED THAT ADHERENTS BE PERMITTED TO TAKE UNILATERAL ACTION WITH POST FACTO MULTILATERAL REVIEW AS PROVIDED FOR IN THE INTERNATIONAL ANTIDUMPING CODE. NEW ZEALAND ENVISAGED DELAYS IN THE MULTILATERAL MECHANISM, ESPECIALLY WITH THE REQUIREMENT FOR PRIOR MULTILATERAL REVIEW, AND SUGGESTED THAT A LONGER PERIOD

FOR EMERGENCY PROVISIONS MAY BE NECESSARY WHILE THE MULTILATERAL PROCEDURES WERE IN PROCESS. THE NORDICS (EGGERT) NOTED THEY ARE WILLING TO EXPLORE THE CANDAIAN DRAFT FURTHER AND HOPED THAT IT WILL SERVE AS A BASIS TO HELP MOVE CLOSER TO NEGOTIATIONS BY PROVIDING POSSIBLE FORMAT FOR AGREEMENT.

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TO SECSTATE WASHDC PRIORITY 2284
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ACTION STR

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4. AGRICULTURE: AUSTRALIA AND NEW ZEALAND SAID THAT THE PRINCIPAL PROBLEM RAISED BY THE DRAFT IS LESS VIGOROUS SUBSIDY RULES ON AGRICULTURAL PRODUCTS THAN ON INDUSTRIAL PRODUCTS. AUSTRALIA URGED THAT UNIFORM SUBSIDY RULES BE APPLIED ACROSS THE BOARD AND DECLARED THAT BLANKET EXEMPTION FOR CVM'S ENVISAGED BY ARTICLE 3(A)(C) AS UNACCEPTABLE. FOGARTY CONCEDED THAT DIFFERENT RULES MAY BE DESIRABLE IN DIFFERENT AGRICULTURAL SITUATIONS, I.E. WHEN WORLD PRICES ARE DEPRESSED TEMPORARILY FOR A PRODUCT EFFICIENTLY PRODUCED, BUT NO SPECIAL RULES ARE NEEDED FOR SITUATIONS WHERE HOME MARKET IS INSULATED FROM FOREIGN COMPETITION AND EXPORT SUBSIDIES, FIXED IN ADVANCE, ARE GRANTED (READ CAP). SURPRISINGLY, THE EC DID NOT RESPOND. COMMENT: MEYNELL TOLD US PRIVATELY

AFTER MEETING THAT HIS SILENCE IS NOT TO BE CONSTRUED
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AS A CHANGE IN EC POSITION THAT CONSIDERATION OF AGRICULTURAL SUBSIDIES IS A MATTER FOR GROUP AGRICULTURE.
END COMMENT.

5. SPECIAL AND DIFFERENTIAL TREATMENT FOR DEVELOPING COUNTRIES: EGYPT SAID CANADIAN DRAFT CAN BE USEFUL IN SUBGROUP'S WORK BUT WAS JOINED BY MEXICO AND INDIA IN CALLING FOR "SPRINKLING" OF S&D FOR LDC'S IN EACH APPROPRIATE SECTION OF THE CODE RATHER THAN USING THE GATT PART IV TECHNIQUE OF HAVING ONE PROVISION AT THE END OF THE AGREEMENT. EGYPT AND INDIA EXPRESSED HOPE THAT HISTORY OF NEGOTIATION OF ANTIDUMPING CODE, I.E. LACK OF CONSIDERATION FOR S&D FOR LDC'S, WILL NOT BE REPEATED. INDIA ASSERTED THAT BY NOT SIGNING GATT ARTICLE XVI:4, LDC'S HAVE A RIGHT TO SUBSIDIZE FREELY AND WAS CRITICAL THAT THE CANADA DRAFT APPEARS TO TAKE AWAY THIS "RIGHT". EGYPT THOUGH A MORE SEVERE INJURY TEST SHOULD BE REQUIRED IN APPLYING CVM'S TO LDC'S. MEXICO, EGYPT AND INDIA AGREED WITH US THAT NEGOTIATION OF A POSITIVE LIST OF PRODUCTS THAT COULD RECEIVE SUBSIDIES WITHOUT RISK OF AUTOMATIC CVD'S WOULD BE DIFFICULT. THEY PRESSED FOR COMPLETE FREEDOM FOR LDC'S TO SUBSIDIZE AND TO BE EXEMPT FROM COUNTERVAILING MEASURES. THE ANDEAN GROUP INQUIRED AS TO WHETHER ONE LIST WOULD APPLY TO ALL LDC'S OR IF EACH LDC WOULD HAVE A SEPARATE LIST, BUT CANADA DID NOT REPLY. MEXICO SUGGESTED THAT "OTHER SUBSIDIES" AND DEFINITION SECTIONS OF CANADA DRAFT COULD INCLUDE REFERENCE TO LDC SUBSIDIES USED IN ECONOMIC DEVELOPMENT PROGRAMS AND THAT THE NOTIFICATION/ENFORCEMENT PROVISIONS SHOULD HAVE SPECIAL PROCEDURES FOR LDC'S.

6. STATE-CONTROLLED ECONOMY COUNTRIES: HUNGARY AND CZECHOSLOVAKIA OBJECTED TO PROPOSED ARTICLE 8 NOTE DEALING WITH STATE-CONTROLLED ECONOMY COUNTRIES ON GROUNDS THAT ANY INJURIOUS TRADE PROBLEMS CAN BE RESOLVED BILATERALLY IN ACCORDANCE WITH PROTOCOLS OF ACCESSION AND
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THAT SEPARATING THESE COUNTRIES FROM THE GENERAL RULES IS CONTRARY TO THE GATT PRINCIPLE OF NON-DISCRIMINATION.

7. FUTURE WORK: GREY NOTED THAT THE OBSERVATIONS AND QUESTIONS REVEALED SOME FUNDAMENTAL ISSUES AND MISCONCEPTIONS

THAT SHOULD BE EXPLORED AT LENGTH. IN HIS VIEW, THIS COULD BE DONE BEST BILATERALLY AND THE SUBGROUP AGREED THAT INTERESTED COUNTRIES MIGHT ENTER INTO BILATERAL/PLURAL CONSULTATIONS IN ORDER TO GAIN FURTHER CLARIFICATION OF THE CANADIAN DRAFT. AT BRAZILIAN INITIATIVE, SUBGROUP AGREED THAT SUBGROUP SHOULD BE KEPT ABREAST OF THE RESULTS OF SUCH CONSULTATIONS. COMMENT: SURPRISINGLY, LDC'S DID NOT OBJECT TO THIS BILATERAL APPROACH, CAUTIOUS ONLY THAT THERE SHOULD BE AN "INFORMATION FLOW". END COMMENT.

8. NEXT MEETING: THE SUBGROUP AGREED THAT THE NEXT MEETING SHOULD BE IN MAY WITH THE PRECISE DATE TO BE SET BY THE NTM PARENT GROUP. WALKER

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Message Attributes

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